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ENERGY FOR MOLLY WILLIAMSON, AND DAS BRODMAN
OVP FOR KEVIN O'DONOVAN
STATE PASS USTR FOR AUSTR DONNELLY AND BELL

E.O. 12958: N/A

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SUBJECT: EXXON GETS 28% OF UPPER ZAKUM

REF: ABU DHABI 470

This cable contains business proprietary information.

11. (U) On March 27, Exxon Mobil signed agreements with the Emirate of Abu Dhabi's Supreme Petroleum Council and the Abu Dhabi National Oil Company (ADNOC) for a 28% stake in the Upper Zakum field as of January 1, 2006. ADNOC's stake in the field drops from 88% to 60% and the Japan Oil Development Company (JODCO) keeps its 12% share. Under the terms of the agreement, Exxon Mobil and JODCO will have a 20 year concession in the field. ADNOC's goal is to increase the field's sustainable production capacity to 750,000 barrels per day (b/d) from its current capacity of around 520,000 b/d "once all the technical studies are completed." Exxon Mobil also committed to establishing a technology center in Abu Dhabi to apply the most advanced reservoir management, well management, and production operations technology to Upper Zakum. Exxon Mobil also committed to providing training as part of its package, including by assisting in establishing a specialized research and development facility at Abu Dhabi's Petroleum Institute.

12. (SBU) On March 28, EconChief called Frank Kemnetz, President of Exxon Al-Khalij (Exxon Mobil's subsidiary) to congratulate him on a successful deal and to ask about next steps. Kemnetz explained that Exxon Mobil would study the field before determining -- in consultation with JODCO and ADNOC -- a sustainable level of production. He emphasized that, while the oil resources were in the field, it would "take work to produce." In response to Econchief's question, Kemnetz confirmed that ADNOC was not interested in high rates of production if they led to a rapid decline in a field's production capacity. (Note: Upper Zakum is an offshore super giant field, with an estimated 50 billion barrels in place, with less than 5 percent of the resource produced to date according to Exxon Mobil's public estimates. End Note.)

13. (SBU) Comment: This has been a long process for Exxon Mobil since ADNOC put the development of Upper Zakum out for bid in 2002. The 28 stake in Upper Zakum will significantly increase the company's presence in Abu Dhabi's upstream oil industry and demonstrates ADNOC's preference for U.S. technology and management expertise. End Comment
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